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**VIA ECFS**

January 30, 2018

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Attention: Wireline Competition Bureau

**Re: Grand River Mutual Telephone Corporation (Iowa) and  
South Central Communications, Inc.  
Joint Petition for Study Area Waiver  
CC Docket No. 96-45**

Dear Ms. Dortch:

On behalf of Grand River Mutual Telephone Corporation (Iowa) and South Central Communications, Inc. ("Petitioners"), please find enclosed the Joint Petition for Waiver of the Definition of "Study Area" of the Appendix-Glossary of Part 36 of the Commission's Rules.

Inquiries may be directed to the undersigned consultant for Petitioners.

Sincerely,

John Kuykendall  
Vice President  
[jkuykendall@jsitel.com](mailto:jkuykendall@jsitel.com)

Enclosure

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9430 Research Blvd., Austin, TX 78759  
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Eagandale Corporate Center, Suite 310  
1380 Corporate Center Curve, Eagan, MN 55121  
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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of	)	
	)	
Grand River Mutual Telephone Corporation (Iowa)	)	
	)	CC Docket No. 96-45
and	)	
	)	
South Central Communications, Inc.	)	
	)	
Joint Petition for Waiver of the Definition of	)	
“Study Area” of the Appendix-Glossary of	)	
Part 36 of the Commission’s Rules	)	

**JOINT PETITION FOR WAIVER**

Pursuant to Section 1.3 of the rules of the Federal Communications Commission (“FCC” or “Commission”),<sup>1</sup> Grand River Mutual Telephone Corporation (Iowa) (“GRM-IA”) and South Central Communications, Inc. (“SCC”) (collectively, “Petitioners”) hereby request a waiver of the Commission’s study area boundary freeze codified in the Appendix-Glossary of Part 36 of FCC rules.<sup>2</sup> Petitioners seek waiver to alter the boundaries of the single Iowa study area jointly operated by two affiliated companies, GRM-IA and SCC, by disaggregating into two Iowa study areas representing Petitioners’ respective exchanges. The requested waiver is limited to division of the existing study area into two study areas consistent with GRM-IA and SCC designated service area exchanges, and does not contemplate alteration of the Petitioners’ service areas. As demonstrated herein, partitioning the study area so that each separate study area coincides with the exchanges served by the respective companies will not unduly burden the

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<sup>1</sup> 47 C.F.R. § 1.3.

<sup>2</sup> 47 C.F.R. Part 36 Appendix (“Study Area. Study area boundaries shall be frozen as they are on November 15, 1984.”)

Universal Service Fund (“USF”) and is vital to allow the commonly-owned companies to receive separate common line pool disbursements in order to replace the “mini-pooling” mechanism that the National Exchange Carrier Association (“NECA”) currently administers, which the association soon will be eliminating.

## **I. INTRODUCTION AND SUMMARY**

GRM-IA is a rate-of-return cost incumbent local exchange carrier (“ILEC”) that operates approximately 3,466 access lines in 12 Iowa exchanges.<sup>3</sup> SCC is a rate-of-return cost ILEC that is wholly-owned by GRM-IA, and operates approximately 1,433 access lines in three Iowa exchanges. Together, GRM-IA and SCC comprise Study Area Code 351888. The GRM-IA and SCC exchanges are interspersed and have similar density characteristics (see Exhibit A map).

SCC was newly formed as an affiliate of GRM-IA in 1996, and was party to a joint petition for waiver of study area rules for SCC acquisition of three US WEST Iowa exchanges. The Commission’s grant of the study area waiver permitted the acquired exchanges to be added to the existing GRM-IA study area.<sup>4</sup>

GRM-IA is a tax-exempt, member-owned cooperative, while SCC is a commercial corporation which is not tax exempt. Although commonly-owned entities

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<sup>3</sup> Grand River Mutual Telephone Corporation also operates in Missouri, Study Area Code 421888, and wholly-owns Lathrop Telephone Company, Missouri Study Area Code 421932. The foregoing Missouri study areas are not the subjects of this Joint Petition.

<sup>4</sup> See *In the Matter of Petitions for Waivers Filed by Alpine Communications, L.C., Butler-Bremer Mutual Telephone Company, Clarksville Telephone Company, Dumont Telephone Company, Grand River Mutual Telephone Corporation, Heartland Telecommunications Company of Iowa, Hickory Tech Corporation, South Central Communications, Inc., Universal Communications, Inc., and U S WEST Communications, Inc. Concerning Sections 61.41(c)(2), 69.3(e)(11), 69.3(i)(4), 69.605(c) and the Definition of “Study Area” Contained in Part 36 Appendix-Glossary of the Commission’s Rules*, AAD 96-94, Memorandum Opinion and Order, DA 97-354, 12 FCC Rcd 2367, 2375 (Rel. Feb. 14, 1997).

within the same state, it is GRM-IA's intention to maintain these differing corporate structures and the separate financial accounting.

Petitioners participate in the NECA common line pool.<sup>5</sup> GRM-IA and SCC report revenue to NECA and cost data each month separately for each company for pooling purposes ("mini-pooling") and then the revenue and cost data is combined into a single study area for reporting purposes. NECA administers separate disbursements for GRM-IA and for SCC access charge revenue pool settlements. However, NECA has informed Petitioners that it will eliminate this "mini-pooling" practice, and will instead make a single disbursement for the shared study area.

## **II. WAIVER STANDARD**

In general, the FCC's rules may be waived for good cause shown.<sup>6</sup> Waiver is appropriate where the "particular facts would make strict compliance inconsistent with the public interest."<sup>7</sup> The FCC may grant a waiver of its rules where the requested relief would not undermine the policy objective of the rule in question, special circumstances warrant a deviation from the general rule, and such deviation will serve the public interest.<sup>8</sup>

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<sup>5</sup> GRM-IA and SCC are issuing carriers in the JSI Interstate Access Tariff F.C.C. No. 1 for switched and special access rates, and will remain so upon the requested study area disaggregation. Rates will not be impacted.

<sup>6</sup> 47 C.F.R. § 1.3.

<sup>7</sup> See *AT&T Wireless Services, Inc. et al. v. Federal Communications Commission*, No. 00-1304 (D.C. Cir. 2001), citing *Northeast Cellular Tel. Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) ("*Northeast Cellular*").

<sup>8</sup> See generally, *WAIT Radio v. FCC*, 418 F.2d 1153 (D.C. Cir. 1969), *cert. denied*, 409 U.S. 1027 (1972); see also *Northeast Cellular* (D.C. Cir. 1990).

Part 36 of the Commission's rules which freezes study area boundaries effective November 15, 1984 is intended to prevent ILECs from establishing separate study areas made up only of high-cost exchanges to maximize their receipt of high-cost universal service support. The Commission adopted a two-prong standard for evaluating petitions for study area waiver: (1) the state commission having regulatory authority over the transferred exchanges does not object to the transfer and (2) the transfer must be in the public interest.<sup>9</sup>

### **III. WAIVER IS JUSTIFIED**

#### **A. State Commission Does Not Object to Transfer of Exchange**

The Iowa Utilities Board ("IUB") does not object to the creation of a new study area for the SCC serving area exchanges inasmuch as the IUB recognizes GRM-IA and SCC as distinct local service providers, each with its own Certificate of Public Convenience and Necessity and Eligible Telecommunications Carrier designation (see Exhibit B).

#### **B. Disaggregation of the Iowa Study Area is in the Public Interest**

##### **1. Number of Lines**

The existing Iowa study area comprised of GRM-IA and SCC exchanges represents 4,899 lines in total. Disaggregation to create a separate study area for SCC would extract 1,433 lines to form the newly created SCC study area, or 29.25% of the total combined lines. Creation of the new study area would represent no change to SCC's designated service area, relationship to its customers, or to its rates and services. Further,

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<sup>9</sup> See *Connect America Fund et al.*; WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) *aff'd sub nom.*, *In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014) at 265.

the control and ownership of the SCC lines would not change as the requested disaggregation does not involve a merger or acquisition. SCC will remain a wholly-owned affiliate of Grand River Mutual Telephone Corporation.<sup>10</sup>

## **2. Projected Universal Service Fund Cost Per Line**

Disaggregation to create a separate study area for the SCC exchanges would represent an estimated 0.24% loss in Connect America Fund - Broadband Loop Support (“CAF-BLS”), a 1.14% gain in High Cost Loop Support (“HCLS”) and an estimated 1% gain in Connect America Fund – Intercarrier Compensation (“CAF-ICC”) support. Combined, the overall increase in USF support would be less than 0.5%.

Further, SCC is already 100% Fiber-to-the-Home (“FTTH”) and has no build-out requirements, so currently all of the buildout obligations and associated capital expenditures are the sole responsibility of GRM-IA. This allocation of capital expenditures and responsibility of GRM-IA to fulfill all of the buildout obligations will not change after grant of this petition.

Petitioners also hereby certify that there would be no impact on the total baseline for the CAF-ICC funding as the funds will be allocated based on access lines and then filings made from there to determine CAF/ICC.<sup>11</sup> Based on projections, the Petitioners

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<sup>10</sup> Grand River Mutual Telephone Corporation provides incumbent local exchange telephone service in Iowa and Missouri through its two study areas – GRM-IA and GRM-MO, and through its wholly-owned subsidiaries, Lathrop (which provides service in Missouri) and SCC.

<sup>11</sup> In the context of another study area waiver petition, the Commission has previously found this method of apportioning between two study areas to determine future CAF ICC amounts to be a “reasonable approach.” *See*, Connect America Fund, Federal-State Joint Board on Universal Service, WC Docket No. 10-90, CC Docket No. 96-45, Order DA 16-1066 rel. Sept. 21, 2016 at para. 27.

do not expect to exceed the operating expense limitation after the study area has been disaggregated.

Accordingly, the impact on the USF would be minimal, while affording Petitioners a mechanism to receive separate common line pool disbursements for GRM-IA and for SCC to replace the mini-pooling function that NECA intends to eliminate for Petitioners. NECA conducts the mini-pooling for only two other rate-of-return carrier study areas which limits the possibility of similar waivers to only two.

### **3. Operational Efficiencies**

Petitioners maintain separate books of account and conduct separate cost studies for the GRM-IA tax-exempt and SCC non-exempt operations. NECA reviews the separate cost studies as well as the combined cost study for the single study area. NECA's mini-pooling process provides for separate pool disbursements, including the split for prior period adjustments for true-up cost data. This process has facilitated Petitioners' ability to properly book those distributions.

This process for administering separate disbursements and prior period adjustments is not automated, is subject to inadvertent inaccuracies, and represents an administrative burden—whether performed by NECA or by Petitioners. It requires the separation of cost and revenue data for the two entities, followed by combination of that data for the single study area, then separation again for disbursements. While NECA's motivation to be relieved of this burden is understandable, it is not reasonable that the burden should be shifted to Petitioners. A separate study area for SCC will provide for separate distributions after NECA ceases to support that function, allowing for

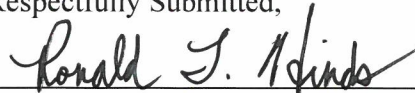
regularized reporting and accounting practices for the distinct GRM-IA and SCC entities, and thereby lending increased accounting accuracy and efficiencies to Petitioners' operations. Grant of the requested waiver would avoid imposing additional expenses on these carriers that already face so many challenges in providing telecom and broadband services to their rural communities.

#### **IV. Conclusion**

As demonstrated herein, "good cause" exists for grant of this waiver. Disaggregation of the GRM-IA and SCC exchanges would serve the public interest through the accounting efficiencies gained which will ultimately benefit Petitioners' customers. The minimal impact on USF is evidence that Petitioners are not motivated to disaggregate exchanges in order to maximize support. Rather, grant of the waiver would relieve an administrative burden by allowing Petitioners to receive separate disbursements after NECA's elimination of mini-pooling, without burdening the USF.

Finally, grant of the requested waiver is consistent with Chairman Pai's efforts to reduce unnecessary regulatory burdens on small carriers such as GRM-IA and SCC.

Respectfully Submitted,



By: Ronald T. Hinds, Chief Executive Officer  
GRAND RIVER MUTUAL TELEPHONE  
CORPORATION  
1001 Kentucky Street  
Princeton, Missouri 64673  
(660) 748-3231

Jan. 29, 2018



**DECLARATION OF RONALD T. HINDS**

**GRAND RIVER MUTUAL TELEPHONE CORPORATION**

I, Ronald T. Hinds, Chief Executive Officer of Grand River Mutual Telephone Corporation, do hereby declare under penalty of perjury that the statements made in this Joint Petition for Waiver are true and accurate to the best of my knowledge, information and belief.

Dated this 29<sup>th</sup> day of January, 2018.

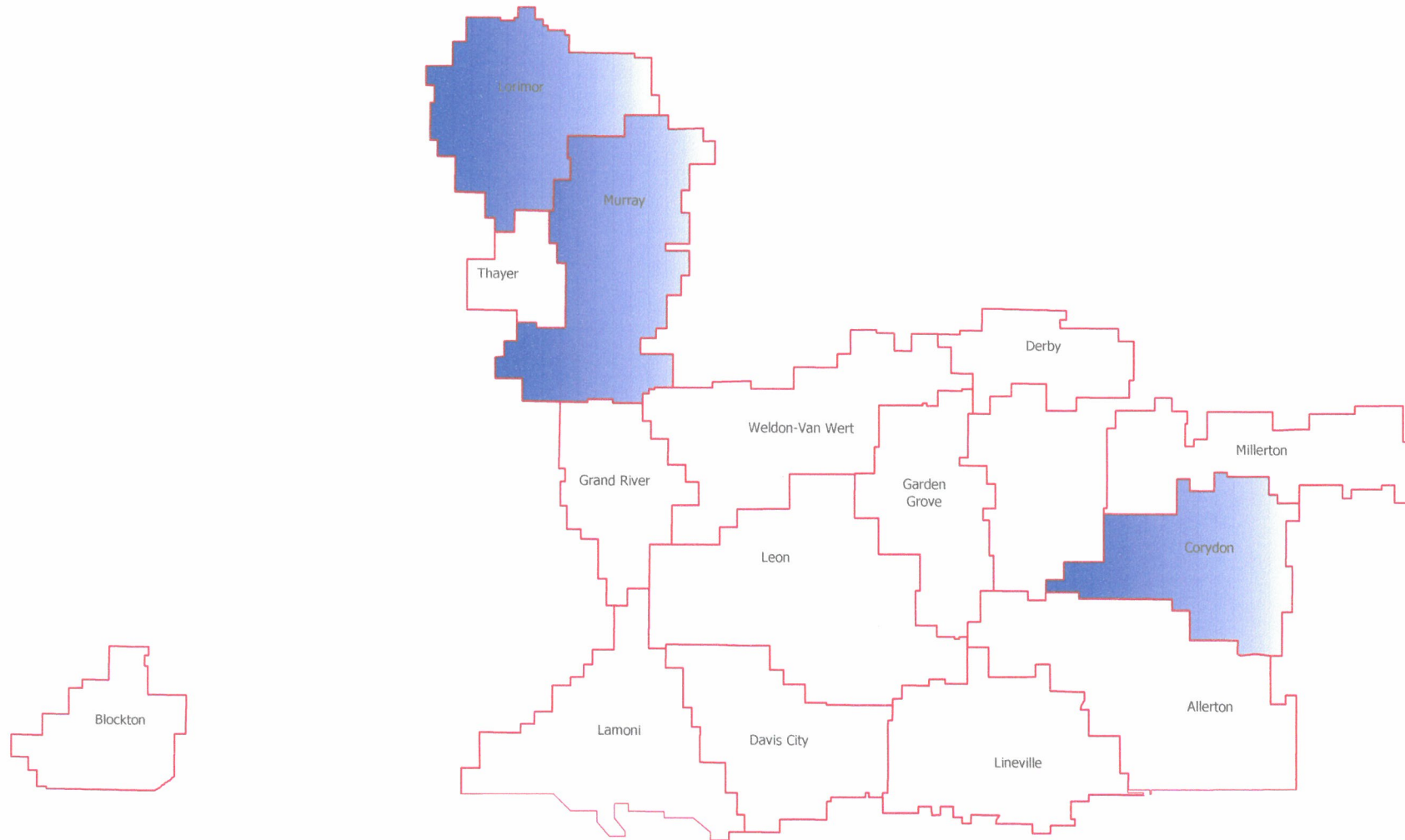
Grand River Mutual Telephone Corporation

Ronald T. Hinds  
By: Ronald T. Hinds, Chief Executive Officer

## EXHIBIT A

BLUE = South Central Communications, Inc. Exchanges

WHITE = Grand River Mutual Telephone Corporation-IA Exchanges





**Governor Kim Reynolds**  
**Lt. Governor Adam Gregg**

*Geri D. Huser, Chair*  
*Nick Wagner, Board Member*  
*Richard W. Lozier, Jr., Board Member*

December 12, 2017

Ms. Anita Cridlebaugh  
Controller  
Grand River Mutual Telephone Corporation/  
South Central Communications, Inc.  
1001 Kentucky Street  
Princeton, MO 64673  
[nita@grm.net](mailto:nita@grm.net)

RE: Study Area Code 351888

Dear Ms. Cridlebaugh:

The purpose of this letter is to provide a response to your letter on Study Area Code 351888 on your intentions to obtain a new study area designation for South Central Communications.

Grand River Mutual Telephone Corporation (Grand River) and South Central Communications, Inc. (South Central) have operated as distinct individual local service providers in Iowa. Grand River was initially granted a certificate of public convenience and necessity (CPCN) to furnish land-line local telephone service by the Board on September 29, 1992 (Certificate No. 0062) with further revisions on July 13, 1994, and August 17, 1994. South Central was granted a CPCN on May 9, 1997, (Certificate No. 0168). Both local service carriers have provided and maintained local service and intrastate access tariffs as required by Board Rules.

Both Grand River and South Central were designated as eligible telecommunications carriers (ETCs) in a Board Order on December 3, 1997. The Board's order stated that the designated service area for each applicant will be its service territory under its current certificate of public convenience and necessity.

Pursuant to Federal Communications Commission (FCC) rules, both Grand River and South Central have filed individual required reports with the Board under Study Area

Code 351888 and the Board has included these companies in annual certifications to the FCC.

Universal Service Administrative Company's (USAC's) web site instructs carriers requesting a Study Area Code (SAC) to include a copy of its ETC designation order from its state utility regulator as part of their submission to USAC. The Board has previously provided ETC designations to both Grand River and South Central so no further action is required by the Board. The Board asks to be notified should there be a modification of the companies included in SAC No. 351888, such as one of the companies being assigned to new SAC to accommodate Grand River's request.

Should you have any questions, please feel free to contact me at (515) 725-7350.

Sincerely,

/s/ Larry Stevens

Larry Stevens  
Utility Specialist  
Iowa Utilities Board  
515-725-7350  
Larry.stevens@iub.iowa.gov

/ls